

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of April 22, 2004 Meeting**

The second meeting of the Chief Financial Officers' (CFO) Council for calendar year 2004 was held at 10:00 a.m., Thursday, April 22, 2004, in the Ottawa Conference Center, Room #4.

CFO Council members in attendance:

David Bruce – Agriculture
Mark Freeman – Auditor General
Barry Wickman – Corrections
Janet Laverty – History, Arts &
Libraries
Allan Pohl – Labor & Economic Growth

Howard Pizzo – Management & Budget
Joel Wortley – Military & Vet. Affairs
Joseph Pavona – State
Jerri McClure – State Police

Other attendees:

Raj Mehta – Civil Rights
James Brandell – Community Health
Lori Schomisch – Education
Joe Frick – Natural Resources
Marge Fuller – OFM
Ruth Mealy – OFM
Laura Mester – OFM

Cathy Morse – Office of State Budget
Gena Hyde – State
Patrick McCarthy – Transportation
Palmer Giron – Treasury
Michael Krouse – Treasury
Mary MacDowell – Treasury

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed Patrick McCarthy, who was representing Ed Timpf of Transportation. One change to the agenda is the PTR Division update will be given before the AFR Division update. The draft summary of the January 22, 2004 meeting was approved as written.

Mike updated the Council on the realignment within OFM. A memo was sent in March, which included a functional organization chart and staffing assignments. We shifted the responsibility of vendor registration to the OFM Help Desk in Support Services Division. We basically aligned our resources to what our core responsibilities are.

The State of Michigan Financial Management Guide is moving along. No policies or procedures have been completed. The conversion of the FRAM sections to the new guide is a high priority.

The vacant director's position in the Support Services Division (formerly Steve Stier) has not yet been filled. We should have something to report by our next meeting in July.

BRIEFINGS AND REPORTS TO CFOs

Annual Disbursement Plans/Cash Flow

Palmer Giron introduced Mike Krouse, Specialist in Treasury's Office of Cash & Debt Management. Mike distributed the 4th Quarter Statewide Schedule of Major Disbursements. It is their responsibility to manage the daily available cash balances. The cash balance of the Common Cash Fund has decreased significantly. Between now and the end of the year, our available cash balances could fall to a very low level. In June, each agency will be requested to provide estimates of their disbursements. For any that exceed \$1 million, a quarterly schedule of major disbursements is prepared. All will be included on the quarterly schedule so Treasury Investments can be informed. They are asking agencies to review these estimates and if not reasonable (within \$1 million of anticipated actual amounts) or if agencies have estimated payments to add to the schedule, they should contact Anne Christensen or Mike Krouse.

Update on OFM Customer Survey

Ruth Mealy presented the results of the OFM Customer Survey. A total of nine responses were received. The first section of the survey dealt with OFM's ability to deliver services. Overall, all areas appeared to be evaluated highly. Our on-line documentation could be improved as well as the readability and search ability. OFM is currently working on this, having made gradual improvements and changes over the past several months.

Section B asked agencies to rank OFM regarding familiarity of use, timeliness, availability, satisfaction with OFM staff interactions, and accuracy. The rankings were above average in all areas. Some changes that are needed include how security management is administered in Internal Control Services; how we are communicating our services with regard to maintenance and enhancement of MAIN FACS; timelines and availability of Payroll staff to end user support; more timely vendor registration services; and end user support on the Help Desk relative to HRMN activity.

Section C asked agencies to rank the systems OFM maintains. AACE and Contract & Payment Express are the least familiar and/or used. One change needed in MAIN FACS is the usability of the reports. We did receive one comment on the age of MAIN and the possible replacement of it. Some specific suggestions for improvements to the systems were received that we will evaluate and respond to individually.

The last section asked agencies to tell us which services OFM provides are of most value, your top priorities, and OFM's strengths and weaknesses. You listed the following as the most useful services: Year-end closing, GAAP and GASB guidance, payroll and adjustments guidance, maintaining the EIS, and Internal Audit standards and training. The top priority is professional, helpful, timely and effective communication. OFM's greatest strength is the friendly, accurate, articulate staff that is willing to help with a positive attitude. A weakness is the approach that one solution works for all departments.

Mike added that we were somewhat disappointed with the number of responses received to the survey. We want input and feedback from the agencies, so any suggestions for how we could approach this differently are welcomed.

Discussion followed on replacing the MAIN system. Could we live with it another five to ten years? All systems have a life cycle. There could be value in recognizing what might be available and evaluating our options. It would be beneficial to have a less expensive system to operate and maintain, have one that is more table-driven, and have one that everyone would use. The ADPICS system needs to be addressed and it would be important to have the accounting and purchasing systems done together. There is cost involved just finding out what the cost of a new system would be. We need to build a good business case that shows there would be savings over the life of the project. With a new financial management system, we could capitalize the cost. A project of this nature would have to start with the CFO's approval and would involve a lot of time and commitment by agencies.

OFM Payroll and Tax Reporting Division Update

Ruth Mealy, PTR Director, reported on the HR Optimization project. The HRMN Payroll Service Center managers are involved in developing the knowledge base.

Cheryl Speers should now receive all Workers Compensation issues with a cc: to Amy Rice. Ruth will send this communication to CFO's and Chief Accountants.

We issued a number of W-2 corrections resulting from errors processed in the taxable travel interface from R*STARS back in September. PTR is trying to piece together the events that led to this error. There was no accounting or budgetary

impact. Human Resource offices received notification and affected employees received a letter with their W-2C.

We continue to work with Lawson on the functional gaps of the Travel & Expense Reimbursement Project, and Lawson is working with their developers on these gaps. We are evaluating other applications.

Within the next couple of months, there will be a communication regarding the establishment of an Agency Point of Contact or Payroll Liaison, ensuring timely responses to your questions or problems.

Ruth has been conducting training sessions on the HRMN Payroll Processing cycle which covers how HRMN, R*STARS and DCDS relate to each other. The group showed an interest in attending this training. Ruth will schedule an additional two or three sessions to include Accounting and Human Resource office personnel. This may become part of our training curriculum.

OFM Accounting and Financial Reporting Division Update

Laura Mester, AFR Director, reported on GASB 39. They are requesting agencies respond to a questionnaire for 501c3 organizations and how this relates to Administrative Guide procedure 1210.10. Agencies do not have the authority to establish 501c3s. If you have foundations affected by this standard, you should follow-up with the Attorney General's office for clarification.

The closing schedule will be very similar to that of last year. We are looking at how many business days an agency should have to process their transactions. The report runs will stay in sync with MIDB. We will close transactions processing one day earlier to accommodate the tax accrual process.

AFR is working on converting the FRAM to the new Financial Management Guide. The goal for this is July to mid-August. We are working with Treasury on converting some of the Ad Guide sections. The most significant ones are the cash deposits and cash receipts.

Lisa Fath and Tim Becker continue meeting with the Interagency Workgroup looking for a better way to process interagency transactions.

Two MAIN system projects are the vendor file enhancement and Detroit Edison, which are impacted by WDI and are going well.

We are trying to find ways to improve the Section 201 Report.

The Popular Report was issued and can be found on our web site. There will be a survey provided also.

October 1, 2005 is still the date we hope to have all vendors active in EFT. This will become part of the terms and conditions in the new contracts for future payments. CEPAS should accommodate this.

OFM Support Services Division Update

Marge Fuller, Manager of the Training and Communications Section, reported that the OFM Help Desk is undergoing some changes due to inheriting the vendor files.

Business Objects training is scheduled for agencies in the month of May. There are a few openings remaining if anyone is interested in attending.

The Security Administrator training has been completed. This may become part of our training curriculum. The checklist to all Security Administrators has been finalized and the Agency Representation Letter will be revised to show this.

The Biennial Internal Control evaluation is complete. It contains a number of recommendations. This will be put on our web site.

CFO Member Roundtable Discussion

No issues to discuss.

The meeting adjourned at 11:25 a.m.

Next meeting: Thursday, July 22, 2004 – 10:00 a.m.
Ottawa Conference Center, Room 4

Summary prepared by:

Adel Beachnau, Council Secretary

Handout at the April 22, 2004 meeting:

- 4th Quarter – Statewide Schedule of Major Disbursements

If you would like to receive a copy of the handout from this meeting, please call Adel Beachnau at 517-373-1010.